

MARKET SENSITIVE INFORMATION
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Eurozone

Retail sales provide boost to Eurozone prospects

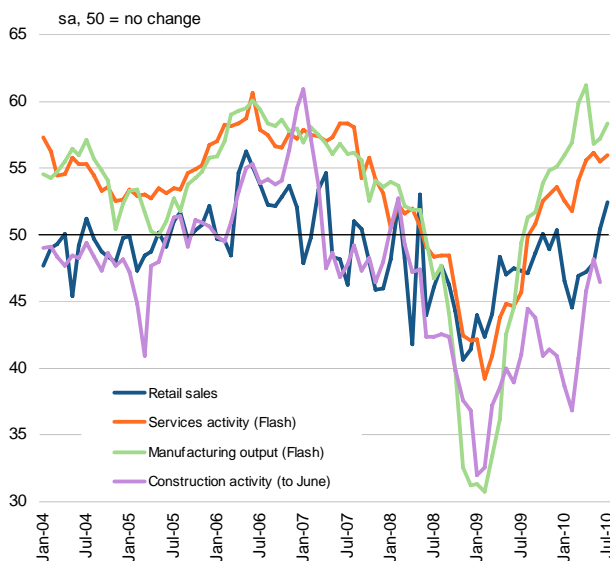
Consumer revival signalled by retail PMI

The **Markit Eurozone Retail PMI™** signalled the largest monthly increase in sales revenues for over two years in July, adding to the recent flow of upbeat data for the single currency area.

Until recently, retail had lagged behind in the economic recovery as consumer confidence continued to be subdued by high unemployment, economic uncertainty, the region's financial crisis and government austerity programmes.

The improvement in the month-on-month sales measure in the Retail PMI survey follows surprisingly strong July flash PMI numbers for Eurozone manufacturing and services, and signs of a marked upturn in construction activity during the second quarter. Taken together, PMI data for the four sectors point to an increasingly broad-based recovery in the euro area, as an initial rebound in the manufacturing sector has spilled over to the wider economy.

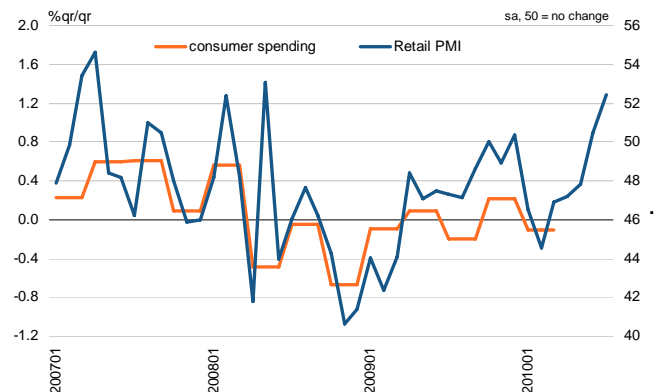
Eurozone PMIs signal broad-based upturn



The Retail PMI remains well below indices measuring output and activity levels in other sectors, but is

consistent with a substantial increase in consumer spending. Although the retail PMI only covers the euro area's three largest economies of France, Germany and Italy, these countries account for 61% of Eurozone retail sales. The survey consequently provides a useful guide to total Eurozone consumer spending, suggesting that spending rose at a robust pace in July (a quarterly rate of growth of around 1%, up from 0.3% in the second quarter).

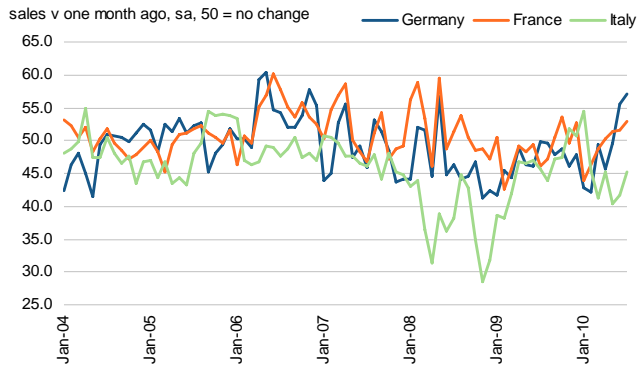
Eurozone Retail PMI and consumer spending



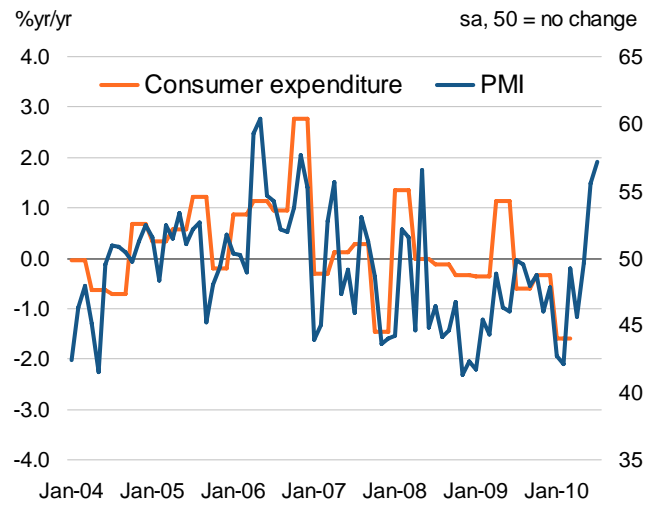
Germany and France led spending growth, while sales fell in Italy

Sales surged higher in Germany, showing one of the strongest rates of growth seen over the survey's six-year history. Sales in France also rose at a robust pace, registering one of the strongest monthly increases recorded by the survey over the past two years. Sales continued to fall in Italy, however, reversing the early recovery seen late last year.

Retail PMI monthly sales



Germany Retail PMI and consumer spending



The improvement in the German retail PMI is particularly encouraging as a revival of consumer spending in Germany is likely to be important for the wider recovery of the Eurozone economy.

With the Eurozone recovery having been principally driven by surging growth in the manufacturing sector, in turn linked to a strong rebound in export growth and external demand, the upturn in sales signalled by the PMI raises hopes that the recovery is becoming more broad-based, driven by domestic as well as external demand, and will therefore be more sustainable as we move through the second half of 2010.

Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

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